

The Montana Endowment Tax Credit is endorsed by the following organizations:

- Association of Fundraising Professionals - Montana Chapter
- Benefis Health System Foundation
- Billings Community Foundation
- Carroll College
- Diocese of Great Falls-Billings
- Glendive Medical Center
- Helena Education Foundation
- Kalispell Chamber of Commerce
- Kalispell Regional Healthcare Foundation
- Montana Association of Counties
- Montana Association of Land Trusts
- Montana Chamber of Commerce
- Montana Community Foundation
- Montana Economic Development Association
- Montana Hospital Association
- Montana League of Cities and Towns
- Montana Nonprofit Association
- Montana Society of CPAs
- Montana State Bar Association - Business, Estates, Trust, Tax, and Real Property Section
- Montana State Bar Association - Nonprofit Section
- Montana Taxpayers Association
- Museums Association of Montana
- National Alliance on Mental Illness - Montana Chapter
- Rocky Mountain College
- University of Montana
- Yellowstone Boys and Girls Ranch Foundation

# endow MONTANA

advancing charitable giving in Montana

## 11 Reasons to Renew the Montana Endowment Tax Credit

Established in 1997 to encourage individuals, businesses and organizations to make lasting investments in their communities, the Montana Endowment Tax Credit creates an incentive for residents to give to endowments.

- 1 The tax credit makes it possible for people to give more than they might otherwise.** By offsetting a portion of Montana income tax, the tax credit means that every \$5,000 gift really only costs \$3,000. (That's before the benefits of the federal deduction.) This incentive also triggers far larger gifts than most donors might make on their own.
- 2 The tax credit works.** The Montana Department of Revenue estimates that at least **\$123 million** in gifts to charitable endowments have been used to claim the charitable endowment credit since its inception in 1997. This is in addition to the millions more in gifts, triggered by the credit, which exceeded the amount that qualified for the credit. Assuming a standard endowment distribution rate of 5%, the \$123 million in gifts alone create over **\$6 million** in **distributions** to Montana nonprofits every year.

EXHIBIT

DATE

4/108

4/12/13



**3** In a state where the economy is defined by the extraction and exportation of natural resources—from the earliest days of fur trappers, Silver Barons and Copper Kings, to today's mining, coal, and oil industries—the Endowment Tax Credit provides a vehicle for Montanans to leave part of their wealth to their hometowns in perpetuity and be rewarded for that good behavior. **It encourages Montana-made wealth to stay in our state.**

**4** The Montana Endowment Tax Credit is an effective public-private partnership that **promotes philanthropy without endorsing a specific cause.** It's a tool that incentivizes giving but allows donors and local communities to decide how to invest their donations and how the earnings should be used.

**5** The tax credit is an important tool for building permanent endowments. Endowments make nonprofit operations sustainable. A recent study showed that demand for "lifecycle services" provided by nonprofit health centers, homeless shelters, and food banks has increased for the third year in a row. Nonprofits across the nation are being asked to do more with less.

**Endowment distributions take pressure off of nonprofit staff** trying to find new sources of income by providing a predictable stream of revenue each year.

**6** Endowments perpetuate the values and priorities of donors. An endowment created and restricted for a specific purpose can ensure that vital programs outlast changes in staffing, board and mission that all nonprofits undergo over time. Through endowment giving, **donors can make sure that what they care about will last.**

**7** **Endowments create legacies.** Because an endowment gift is invested permanently, it acts as a permanent tribute for a donor's loved ones. Endowment gifts given to memorialize a loved one keep giving in their name—forever.

**8** Endowment gifts afford donors the option to perpetuate their annual gifts. Montana's population is aging. At retirement annual donors may feel the need to cut back. With fewer young people to step into the shoes of long-time supporters it might become more challenging to raise annual operating support. Donors who add \$2,500 to the permanent endowment of their favorite charities will forever continue to give their \$100.00 annual gift.

**9** Unlike any other deduction or credit in the tax code, this tax credit is the only one encouraging taxpayers to do something for someone other than themselves. **The tax credit is a win-win-win proposition for the taxpayer, for local governments, and for the recipients of philanthropy.**

**10** **Montana faces a lack of philanthropic wealth.** Although Montanans are generous in many ways, among the fifty states, Montana ranks at or near the bottom with regard to per capita charitable giving, number of foundations, size of foundations, and value of foundation gifts granted and received. Montana ranks 48th in the nation in foundation assets and 47th in foundation giving.

**11** Endowments provide independence from economic, governmental and political forces for nonprofits, creating programs that stand the test of time. Many nonprofits rely on yearly grants from government and private foundations to fund operations, but this type of income is not guaranteed. An endowment distribution is. **The tax credit lessens the burdens of government,** particularly during times of economic downturn when government funds are stretched beyond their capacity.

